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SUBJECT: EAD LAYS OUT STRATEGY FOR PAKISTAN DONORS' MEETING

1. (SBU) Summary. Farrakh Qayyum, Secretary in the Economic Affairs Division (EAD), which is in charge of preparations for the April 17 donors' conference, told DCM March 12 that the GOP is working closely with the World Bank office in Islamabad to prepare their request. He noted that the request will be based on the GOP's second Poverty Reduction Strategy Paper. The GOP plans to ask for \$1 billion each from the World Bank and the Asian Development Bank and for \$350 million each from the U.S., the E.U., and Japan. EAD is working closely with the Planning Commission and the Ministry of Foreign Affairs, which have responsibility for the Friends. He mentioned that the GOP is planning to suggest the second week of May for the postponed session of the RECCA. End Summary.

2. (SBU) DCM, AID Director and Econ Counselor met with Farrakh Qayyum, Secretary of the Economic Affairs Division, on March 12 to discuss plans for the donors' conference. Qayyum began the meeting by discussing the postponement of the RECCA, saying that they have suggested the second week in May to the Afghans, but are awaiting the return of Foreign Ministers Spanta and Qureshi from Tehran before formally proposing that date.

3. (SBU) Qayyum told us that at the April 17 meeting in Tokyo, the GOP would present an overview to Friends in the morning, where the GOP expected statements of political solidarity from the participants, but that at the afternoon donors' session, actual pledges would be made - "the flesh will be put on the whole thing." Qayyum said that the Japanese have been "very enthusiastic and keen" and have insisted that the World Bank co-host. Qayyum has prepared a draft letter for Tarin's signature asking [World Bank President] Zoellick to co-host and asking the Bank to prepare a paper "validating our needs" and ensuring that proper capacity and policy framework is there. He said that the Bank has a seven-person team in Islamabad which is currently working on this. Qayyum said that the GOP had also requested the involvement of the Asian Development Bank ("whose president is Japanese") in validating the program.

4. (SBU) Qayyum confirmed what we had heard previously from Salman Farooqui on details of the schedule. The Ministry of Foreign Affairs will brief Ambassadors in Islamabad o/a March 20 or 21, and the UAEG has agreed to host experts' meetings April 2-3.

5. (SBU) Qayyum said that the GOP would be requesting \$6 billion,

or \$2 billion annually for the next three years - for its medium-term budgetary framework (Note: the IMF res rep here said that the IMF stands by its recommendation of \$4 billion over the life of the 23 month program. End note.) He emphasized the need for direct budgetary support and also the use of debt swaps, whereby part of Pakistan's annual \$1.2 billion in debt servicing could be used for rupee-based development programs. The GOP plans to request the World Bank and the Asian Development Bank to contribute \$1 billion each over and above their regular programs, and ask the U.S., the EU, and Japan each to give \$350 million annually over three years.

¶6. (SBU) Qayyum shared with the DCM the power point presentation outlining the GOP request. He will focus donor pledges on four of the nine pillars of their Second Poverty Reduction Strategy Paper: macro economic stability, protecting the poorest, human development for the twenty-first century, and governance for a fair and just society.

¶7. (SBU) Comment: Qayyum is obviously very engaged in ensuring that the conference will be successful, and is coordinating closely with the Planning Commission and the Ministry of Foreign Affairs, which have the lead on the Friends portion of the meeting. He took on board our message that the Friends was not just about a wish list of projects, and his comments about expecting only statements of political support from the Friends on April 17 seemed designed to smooth over any confusion between the two groups. We will be meeting with the Friends group next week and will continue efforts to ensure that expectations for the two April sessions are coordinated. We are also recommending that the GOP include

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presentations on the Donors' Conference to Ambassadors here and experts in Abu Dhabi in early April to ensure that the GOP approach is effective and realistic.

PATTERSON